

Message Text

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ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 EB-03 INR-05 CIAE-00 SP-02 NSC-05

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FM AMEMBASSY MUSCAT
TO SECSTATE WASHDC 1202
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C O N F I D E N T I A L MUSCAT 654

LIMDIS

E.O. 11652: GDS

TAGS: EFIN, MU, SA

SUBJECT: OMAN FINANCIAL PROSPECTS CONTINUE TO BRIGHTEN

REF: (A) MUSCAT 590; (B) STATE 132189 (NOTAL)

1. IN JUNE 8 CONVERSATION, DEVELOPMENT ADVISER SHARIF LOTFY TOLD ME THAT \$200 MILLION HAD BEEN RECEIVED FROM SAUDI GOVERNMENT. AS EXPECTED, \$100 MILLION IS OUTRIGHT GRANT; REMAINDER IS CAST AS INTEREST FREE LOAN WITH UNDERSTANDING THAT IT WILL BE CONVERTED INTO GRANT NEXT YEAR. LOTFY OPTIMISTIC THAT SULTAN'S PRESENT VISIT TO RIYADH, (WHICH, WE UNDERSTAND, IS FIRST OFFICIAL VISIT BY SULTAN TO HIS RICH NEIGHBOR) WILL RESULT IN PERHAPS ANOTHER \$150 MILLION IN FINANCIAL ASSISTANCE, PROBABLY IN TERMS OF "FORGIVING" OUTSTANDING LOAN USED FOR PURCHASE OF 60 PER CENT PARTICIPATION IN PD(O) AND ADDITIONAL FUNDS FOR DEFENSE CONTRACTS. EVEN IF ADDITIONAL FUNDS NOT FORTHCOMING, SAUDI ASSISTANCE ENABLES OMANGOV TO OVERCOME TROUBLESOME CASH FLOW PROBLEM. LOTFY EXPRESSED HOPE THAT, WITH HIS INTENDED CLOSER CONTROL OVER FUTURE EXPENDITURES, PROBLEM WILL NOT RECUR.

2. DESPITE FACT THAT OMANGOV NOW NOT IN NEED OF ADDITIONAL FUNDS, FINANCE COUNCIL HAS DECIDED TO GO AHEAD WITH \$100 MILLION UBAF LOAN (STATE REFTEL). REASONING IS THAT THIS WILL
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"BREAK MONOPOLY" OF FINANCE PATTERNS (N.BS: READ THIS TO MEAN

MOVE TO LESSEN ROLE OF BBME) AND ALLOW GOVERNMENT TO PROCEED
WITH DEVELOPMENT PROJECTS IT TENTATIVELY HAD POSTPONED.

3. ASKED SPECIFICALLY ABOUT STATUS OF SALALAH AIRPORT,
LOTFY SAID THAT EVEN WINNING BIDDER DOES NOT YET KNOW, BUT
DECISION HAS BEEN MADE TO GO FORWARD. HOWEVER, EARLIER PLANS
CALLING FOR \$17.5 MILLION PROJECT WILL BE SCRAPPED FOR MORE
MODEST SCHEME WITH CEILING SET AT ABOUT \$4 MILLION. I CAME
AWAY WITH IMPRESSION THAT LOTFY FELT THIS WAS STILL AN EX-
PENSIVE FRILL, BUT THAT HE HAD WON A VICTORY IN ACHIEVING
AGREEMENT THAT CONTRACT SHOULD BE DRAWN WITH SPECIFIED
CEILING ON EXPENDITURE.
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